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THE FRUITS OF YALTA

by Kiyoshi K. Kawakami

The debacle of Chiang Kai-shek's China has already forced the Department of State to urge an emergency appropriation of $150,000,000 for Southern Korea. Here is an initial consequence of abandonment by the United States of its twin traditional policies in the Far East -- the Open Door and the Balance of Power.

Enunciated by John Hay, as Secretary of State, just fifty years ago, the Open Door doctrine was officially abandoned when the United States in 1945 approved special treaty rights and privileges for Soviet Russia in Manchuria. This was wholly at variance with Secretary Hay's assertion of September 6, 1899:

> " . . . the Government of the United States will in no way commit itself to a recognition of exclusive rights of any power within or control over any portion of the Chinese Empire . . . "

On the other hand, the principle of the Balance of Power was never officially proclaimed in Washington. Not a few American statesmen and publicists, indeed, have expressed abhorrence at suggestions that their country should embrace this principle in the conduct of its diplomacy. Balance of Power, which of course is the acceptance of a condition rather than the promulgation of a theory, has often been denounced as an evil British invention, designed to perpetuate an empire upon which the sun never sets.

And yet the very principle so distasteful to Americans has actually guided the Far Eastern diplomacy of their own country. Unhonored and unsung, the American policy of maintaining political equilibrium in Asia has played an even more important role than the much publicized Open Door doctrine. This is wholly logical, because the Open Door inevitably swings shut when any single Power in a given area becomes so strong as to dominate all others.

As long as American diplomacy adhered to the principle of the Balance of Power, American prestige and interests in the Far East were preserved, though sometimes precariously. When this principle was abandoned, at Tehran and Yalta, the carefully developed moral and material investment of the United States was doomed to disintegration.

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II

Theodore Roosevelt was the first President who adopted the Balance of Power as the guiding principle of American diplomacy in the Far East, though he never officially proclaimed it. On June 16, 1905, when the Russo-Japanese war was approaching a climacteric stage, Roosevelt wrote Senator Henry Cabot Lodge:

> "While for the rest of us, while Russia's triumph would have been a blow to civilization, her destruction as an eastern Asiatic Power would also in my opinion be unfortunate. It is best that she should be left face to face with Japan so that each may have a moderating action on the other."

A week later, on July 24, 1905, Roosevelt confided to his friend Sir Cecil Arthur Spring-Rice (later British Ambassador to Washington) this significant information:

> "As soon as this [Russo-Japanese] war broke out I notified Germany and France in the most polite and discreet fashion that in event of a combination against Japan to try to do what Russia, Germany and France did to her in 1894 [1895] I should promptly side with Japan and proceed to whatever length was necessary on her behalf."

A Russo-French-German coalition had forced Japan out of Port Arthur and Dairen when these Manchurian strongholds were surrendered by China as a result of the Sino-Japanese war of 1894-95. Theodore Roosevelt, a decade later, would tolerate no repetition of this combination at Japan's expense. Quite possibly this President, in thus committing himself to a policy of grave international significance, acted in contravention of the spirit of the Constitution. More certainly, his action kept France or Germany, or both, from coming to Russia's aid and thus localized the war to Manchuria.

From the closing decades of the last century, down to the opening of World War I, Russia was a perpetual menace to China, Korea and Japan. To preserve even a semblance of power equilibrium across the Pacific, Theodore Roosevelt therefore thought it in the American interest to support Japan, since China and Korea, even with foreign aid, seemed incapable of standing up to what Rudyard Kipling contemporaneously called "the bear that walks like a man".

Even after the peace of Portsmouth, New Hampshire, effected through Theodore Roosevelt's good offices, the Russian menace was not removed. To guard against Russia's possible war of revenge, Japan allied itself with Britain, a step which had Roosevelt's support.

III

World War I brought temporary eclipse to Russia's Asiatic ambitions and resulted in a radical realignment in the Far East. The Japanese Navy had come to rule much of the Pacific; the German foothold in Shan-

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tung was taken over by Tokyo; the Japanese leaders cast covetous eyes on Eastern Siberia. In short, Japan in turn threatened that Balance of Power which Theodore Roosevelt had sought to maintain.

Now the American policy was to restrain Japan. In 1918 an American contingent was dispatched to Siberia ostensibly to co-operate with Japan against the establishment of Communist control, but perhaps as much to keep a watchful eye on the exuberant Japanese forces. Washington even maneuvered to appoint an American engineer as supervisor of the Russian-owned North Manchurian railway, to forestall possible Japanese domination of the road.

The Washington Conference of 1921-22, whatever its stated purpose, was actually promoted to restore the Balance of Power in the Far East. This aim was revealed in the treaties and agreements adopted by the Conference. The United States successfully brought pressure to terminate the Anglo-Japanese Alliance. Japan was deprived of her new acquisitions in Shantung. The Japanese Navy was reduced to the ratio of 3 as compared with 5 each for the United States and Britain.

For some years after the Conference Japan, mollified by the temporary prosperity engendered by wartime and post-war business expansion, seemed inclined towards a course of moderation. Then came the great depression of 1929. The Japanese military leaders seized their opportunity. Tokyo again embarked upon a course of overseas expansion, particularly in Manchuria and North China.

In the eyes of official Washington, the resurgent Japanese expansionism brought a renewed threat to the Balance of Power so carefully restored at the Washington Conference. The "non-recognition" principle, enunciated by Secretary Stimson in 1931 towards the puppet state of Manchukuo, and President F. D. Roosevelt's recognition of Soviet Russia in 1933, both had for their purpose the re-establishment of Balance of Power in the Far East. Franklin D. Roosevelt, perhaps unwittingly, then upheld Theodore Roosevelt's policy of keeping Russia "face to face with Japan so that each may have a moderating action on the other".

IV

The end of World War II brought the United States -- rather than Japan -- face to face with Russia. It was entirely foreseeable, but American statesmen and strategists responsible for the conduct of the war seemed curiously blind in their adoption of measures which were cumulatively certain to produce the present overshadowing problems.

Even at the height of Japan's victories in the Pacific no one with a knowledge of its resources, relative to those of the United States,

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could fail to foresee the ultimate American victory. By the time of the Yalta Conference Japan had suffered defeat after defeat; the greater part of its naval and merchant fleets were sunk, the country was on the verge of starvation, its surrender only a matter of time.

Surely the problem for American statesmen, then, was how to salvage what they could out of the wreckage of the Balance of Power. To every well-informed layman it was as clear as day that Soviet Russia, riding the crest of the American victories, would press towards the Pacific and help the well-organized Chinese Communists towards the control of China.

In 1945, as HUMAN EVENTS at least then pointed out, it was the historically logical and politically obvious course of American diplomacy to support Nationalist China as a counter balance against the certain Soviet advance. Most of all, American leaders should have seen to it that Manchuria should be wholly restored to Nationalist China. For whoever controls Manchuria, at once the most industrialized and the most prosperous agricultural region of China, will eventually control the entire country.

Yet, at Yalta, Mr. Roosevelt virtually surrendered Manchuria to Soviet Russia, which in turn handed it over to the Chinese Communists. The defeat and obliteration of Chiang Kai-shek has been the wholly predictable result. Even now many Americans are deluding themselves, by hopefully asserting that Mao Tse-tung will prove a Chinese Tito, or that he cannot extend his control much further south because he has not enough administrative personnel for the purpose.

Mao has been a most faithful follower of Moscow. But should he prove unsatisfactory to Russia, Stalin could and probably would give Manchuria and North China to Mao's old and bitter rival, Li Li-san, whom the Kremlin has already set up at Harbin as administrator of Manchuria. Li was brought back to Harbin after years of indoctrination in Moscow, and is said to be Stalin's fairhaired boy.

The Balance of Power, which for half a century served as America's diplomatic bulwark across the Pacific, died an ignominious death at Yalta, as did the Open Door. Inevitably Soviet Russia became the master of the Far East. Extension of the Marshall Plan to Southern Korea is scarcely an effective measure to retrieve the loss which the United States has inflicted upon itself, and upon China.

Mr. Kawakami, an occasional contributer to HUMAN EVENTS, is a veteran Japanese liberal who has lived in the United States since 1901.

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Not Merely Gossip *A Supplement to* Human Events Vol. VI, No. 24

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By Frank C. Hanighen June 15, 1949

BRANNAN: The Secretary of Agriculture, visited Main Street this week. It is always well that a bureaucrat should occasionally go out and look at the people on whom he proposes to impose regimentation. We fear, however, that he will not escape the attitudes of his own "ruling class", nor be able to disentangle himself from the legislative conflict in which he must play a role. His bill for a totalitarian agriculture is not exactly popular on Capitol Hill. It is significant that the Majority leadership has so far been unable to find a prominent member to sponsor and guide the Brannan bill through the Lower House.

Members comment that in the 78 pages of the bill there are about 160 places where Congress is requested to grant the Secretary of Agriculture wide powers -- expressed in the following terms: "as the Secretary deems necessary", or "under regulations prescribed by the Secretary", etc. Nor has it escaped Congressional notice that Mr. Brannan does not want any possibility of appeal in the courts from any of his ukases. For instance, under Section 387, Part 8 of Title 3, we find this: "notwithstanding any other provision of law, the jurisdiction conferred by this part to review the legal validity of a determination made by a review committee pursuant to this part shall be exclusive. No court of the United States or of any state shall have jurisdiction to pass on the legal validity of such a determination . . ." [Emphasis ours.]

Congress, with wisdom of hard experience, perceives too many chances in such legislation for bureaucratic guile. Senator Williams (Del.) on June 9 recited the tale of a recent Administration maneuver. On May 26, when the Senate refused to give Brannan exclusive control over the $5 billion CCC, the Department of Agriculture almost completely suspended its operations in the wheat market. Prices immediately declined drastically -- a fact which has led Senator Aiken to charge that this action unnecessarily caused farmers the loss of millions of dollars. Then, on June 8, with great pomp and ceremony, the President signed the amended CCC bill and simultaneously announced forthcoming wide support for agricultural prices. Immediately, prices of wheat went up 8 to 10 cents.

Senator Williams asserts that this is not the first time the Secretary of Agriculture has manipulated markets for political purposes. Last fall, during the general election, the Department withheld support from corn, complacently watched its price decline and blamed the 80th Congress for failure to provide funds for storage. Williams points out that storage space was not lacking, for in the eight weeks following the election over 80 million bushels of corn were handled under the price support program without addition of a single storage bin. Years ago, it was charged that "Big Business" manipulated markets in order to elect the GOP. That accusation was difficult to prove. But it's a cinch to document the claim that Big Government manipulates economic forces for political advantage.

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DEFENSE PROPAGANDA: This week beheld another of those "off-the-record" gatherings in Washington which are officially called "orientation courses for public leaders". Periodically, the State Department guides the minds of such figures, with due secrecy; and this week it was the turn of the armed forces. Thus a pompous polysyllable is employed to describe something which is naught but an attempt to propagandize these leaders, and, through them, the mass of the people whom they presumably lead. The lure is a free trip to the nation's capital and to defense bases, and

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also an earful of simply terrific "top secrets", to give the visitors a feeling that they are "in the know". One Washington scribe who attended the "orientation" later told us that one staggering disclosure was the total number of Russian divisions in Eastern Europe -- a figure frequently reported in local papers during the past year.

However, the piece de resistance involved no less a person than Defense Secretary Louis Johnson. It seems that the Defense Department hosts discovered, soon after the guests had arrived, that what the latter really wanted to know was the "low-down" on the B-36 and the Secretary. Quite accommodatingly, the Secretary himself in person assured the "orientates" that he had had nothing to do with the selection of the Consolidated Vultee craft. When last heard of, the orientation party was en route for Fort Benning and other bastions.

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AMERICAN BUSINESS AND DISMANTLING: We have come to the conclusion that American business has a pretty clean and public-spirited record in regard to that vital problem of our foreign policy -- Germany. The other day we had the pleasure of meeting Mr. G. V. L. Loesch, managing director of the Deutsche Edelstahl Werke, who has been a visitor in Washington. Mr. Loesch had much to say about the dismantling of German industry in general and of some of his own plants in particular. He also recalled his relations with Messrs. Wolf and Humphries, American steelmasters, who conducted investigations of German industry for the ECA, and how he succeeded in impressing the former with the importance of stopping dismantling in Germany. "At first", said Mr. Loesch, "I emphasized to Wolf the technical reasons why dismantling was bad, but he seemed uninterested. However, when I told him how destruction of factories would reduce German exports, and this in turn would prevent Germany from paying for imports, he showed keen interest. And he took the attitude that without large German exports, the U. S. would have to pay heavily to keep Germany going."

What this German industrialist said strengthened the impression we have had for some years -- that American business in general (with some exceptions) and the heads of the steel industry in particular, have pursued a wholly American, highly civic policy towards this important foreign problem. Theoretically, according to Marxian views, steel here should favor moves for reducing the position of the German steel industry in the international market. Actually, American steel has taken quite an opposite attitude, and for no selfish reasons. Mr. Loesch assured us that American steel companies have no investments in Germany. It might be objected that American steel interests fear that the Truman Administration will build American Government steel plants in this country with the excuse that there is a world shortage of steel production. But that is a threat which has only arisen in the last few months. Since 1944 American steel interests have consistently opposed all aspects of the Morgenthau Plan. It may also be objected that American business interests are prompted in this wise attitude towards Germany because they do not like the high taxes caused by expensive Occupation policies. But when has a desire for the reduction of taxes been other than a civic virtue?

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HISS TRIAL: It is natural that Washingtonians watching the trial of Chambers -- beg pardon, of Hiss -- should show more interest in the principal figures who formerly had some connection with the Washington scene than in those who had no such connection. Thus, less attention is paid to Mr. Stryker, colorful defense counsel, and to Mr. Murphy, the Government prosecutor, who had no "Washington careers". On the other hand, a great deal of interest is shown in Mr. Hiss, partly because he was long a Federal official in the Capital. Chambers, too, because he wove shadowy paths through Georgetown and Lafayette Square, has captured the local imagination. Finally, one other character in the court drama once walked the Capital proscenium and therefore attracts more comment here than elsewhere.

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We refer to Judge Samuel H. Kaufman who twice served the Federal Government in Washington. It is recalled that he first appeared as special counsel on the Federal Communications Commission, in 1937-38. He was an assistant to that rising young New Dealer, Mr. James L. Fly, then general counsel of the FCC and soon thereafter to become head of this agency which has long been a haven for Left Wing New Dealers. Next, Mr. Kaufman -- who was popular in the Capital -- became associate general counsel in 1946, under Mr. Seth Richardson, on the staff of the memorable Pearl Harbor Investigating Committee. Observers liked Mr. Kaufman personally. But there were some who described efforts of the staff as a "whitewash" of the Administration. Indeed, this feeling was so strong that the GOP minority on the Committee maintained a parallel private staff to check on the official staff.

But there was one more appearance of Mr. Kaufman here, in 1948, when Mr. Truman nominated him for his present job on the bench. The Senate Judiciary Committee failed to act on the appointment, after the Bar Association of New York City opposed Mr. Kaufman's confirmation. It was not until January 1949 that the New Yorker was finally confirmed, after the Democrats assumed control of the Senate Committee. Even friends of Mr. Kaufman express surprise that a man so recently made a judge should be called to preside over so important and complex a trial.

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SEC: Mr. Cyrus S. Eaton, Cleveland banker, enlivened a Senate committee recently by offering some reasons why there is -- to use a New Deal term -- a "strike of capital". Mr. Eaton demanded that Congress curb the Securities and Exchange Commission before it "wrecked the free enterprise system". He asked that the Appropriations Committee cut the SEC's request for about $6 million to not more than $2,620,000. The nation and business especially, said Eaton, would be better off if the agency's regional offices were closed and the Washington staff cut in half. He said the SEC has "throttled" private investment to such an extent that Americans now prefer a $2 long shot at a race track to speculation in security markets. Eaton claimed that "between $9 billion and $10 billion annually is involved in race track betting" and other gambling games -- and this totals more than three times the amount spent in investment securities registered with the SEC. The overwhelming majority of new securities last year, about $16 billion, were in government bonds, railway securities and other forms which do not require SEC registration. Compliance with SEC registration is such an "ordeal" that less than 400 of the nation's 420,000 corporations were willing to undergo such an experience last year.

We certainly agree that Mr. Eaton has a strong argument when he complained about SEC's responsibility for the present stagnation of the capital market, although he would probably agree that the fiscal policy of the Administration also has something to do with it. Eaton's attack has great value in centering attention on the decrepit state of the risk capital market and one might well heed his cry "if private business and private property are not to be eliminated entirely from the American scene, the Congress ought to cut the SEC's appropriations to the point where the Commission will be unable to hurtle the nation headlong to the final calamity".

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RETRACTION: This column on June 1 referred to the New York Times and other American publications as enjoying "subsidies for European distribution". Representatives of the Times have written to us in protest. They say: "The statement in so far as it applies to the New York Times is completely in error. The New York Times has not filed any application with the ECA for a guaranteed loan in connection with its overseas editions. Other newspapers have, we are informed. The Times, however, refrained from doing so just because it did not want anyone to be able to state that it was obtaining any kind of Government subsidy." We take this first opportunity to correct our erroneous statement as to the Times and to offer our apologies.

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Book Events

The High Cost of Vengeance, by Freda Utley. Chicago, Illinois: Henry Regnery Company. $3.50. Reviewed by William Henry Chamberlin.

This book crackles with the fireworks of explosive controversy from the first page to the last. The author, an Englishwoman by birth, an American citizen by naturalization, spent several months in Berlin and in the western zones of Germany recently. She brought back the impression that the policies of the Occupation Powers have been politically tyrannical, economically predatory and repressive and utterly ineffective from the standpoint of cultivating in the Germans respect for Western ideals of liberty and democracy.

The main counts in her indictment may be briefly summarized as follows: Military government has been run on a colonial basis, with luxury for the foreign officers and officials which is more glaring because of the general misery in the bomb-wrecked German cities. Germany's ability to support a larger population within shrunken frontiers has been impaired by destructionist economic policies of the victors. Among these the author notes, with a good deal of supporting illustrative detail, the limitations of output on many German industries, the dismantling of German industrial plants, the confiscation of all German property abroad and of all patents, the funneling of German foreign trade through the JEIA, a joint American-British control agency.

The war crimes trials have been a complete flop, both as an exhibit in the high ideals of Western justice and as a means of influencing the Germans. The author offers a keen dissection of the sophistries and dubious premises on which the Allied courts functioned. There is reason to believe that her final verdict on the trials will be increasingly accepted with the passing of time: "We have made martyrs of criminals by the Nuremberg trials, and given a new lease on life to Nazi doctrines by our own transgressions against fundamental democratic principles.

Perhaps the best quality of the book is the vigor, variety and authenticity of its grass-roots reporting. She was not content to accept soothing official handouts about how unimportant dismantling was to the German economy. She went to a region where dismantling was in progress and told exactly what it meant to the owners of the small factories affected, and the workers who depended on these factories for their livelihood. And she is one of very few foreign observers in Germany who found time and sympathy for the appalling plight of the millions of uprooted German refugees from the eastern provinces and from the Sudetenland.

Miss Utley is not the kind of person to hide her convictions under a bushel. She seems never to have hesitated to tell the military government authorities exactly what she thought of their methods. She provoked a teapot tempest in Berlin by remarking at a cocktail party that she thought it was high time we stopped talking about German guilt, "since there was no crime the Nazis had committed which we or our Allies had not also committed". And she went on with some vigorous comment on obliteration bombings, mass deportations of twelve million people from the East, use of prisoners as slave laborers, looting and Soviet concentration camps. Such remarks did not make her popular in this particular group. And one fears that the vehement and sometimes intemperate language of the book will make higher and thicker the wall of prejudice which it would have to surmount in any case.

However, this challenging indictment should be read by everyone who is concerned with our German policy. It is one of the three best books (I had almost written "one of the three good books") written about Germany under foreign Occupation. The others are Victor Gollancz's In Darkest Germany and Gustav Stolper's German Realities.

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By Bertrand de Jouvenel June 15, 1949

CONVALESCENCE OF WESTERN EUROPE: Let us take stock of Western Europe as it is today. It has been saved from the Communist flood and it is recovering from the onset of toxic ideas which had poisoned its system. It may be said that the Communist menace had two chances in Continental Europe. The first was provided by clever manipulation of the Resistance Movement, so that under the German occupation the Communists, who had been discredited by the Molotov-Ribbentropp alliance, staged a great comeback. Duping their associates who had conceived of the Resistance in terms of fighting Germany, they had, towards its end, staked out for themselves such positions in the Underground and been so far successful in marshalling forces available for civil war that, had it not been for the presence of the Allied armies, Communism might well have taken over by violence. This position they bartered for a substantial share of lawful authority. In hope that they might one day deal with their associates as they actually did in Czechoslovakia, the Communists joined with Socialists and Christian Democrats in establishing a three-headed monopoly of legal power. This second assault was shattered by their eviction from the government.

But the dominant position occupied by the Communists in the immediate post-war years has left its mark upon the liberated countries, where they had boldly established themselves as the arbiters of patriotism, the makers and unmakers of reputations. They then eliminated men, such as Henri Frenay, who had played a leading part in the Resistance, and they sold certificates of heroism to dubious characters who agreed to be their tools. They called the tune for their associates, the Socialists and Christian Democrats, whom, as sharing the collectivist philosophy, they had singled out as worthy of association. The three parties jointly applied a large-scale spoils system to the administration, to the press and to those many industries for which nationalization meant primarily expansion of bureaucracy. Juries chosen from the three parties administered a most political justice; the electoral system was revised to perpetuate the power of this tripartite oligarchy.

Modern war breeds collectivist tendencies, and these tendencies were encouraged by the war propaganda. Finally, the political setup at the time of the Liberation converted a somewhat hazy collectivism into the prevailing dogma of the faith. Although public opinion has now strongly recoiled from this dogma, the new institutions have powerful vested interests at their back.

* * *

THE NEW LOBBIES: Our semi-collectivist economy is marked by a complicated drainage system for canalising the stream of wealth. This is diverted by political pressures from its natural bed to the task of fertilizing certain planned activities; and it gives sustenance on the way to many a hungry managerial team. Any attempt to return the stream to its bed must now hurt certain interests, in much the same way as the straightening of a crooked road through a town.

Recently, in France, an attempt to free the market in gasoline met with defeat at the hands of a highly significant combination: the profiteers in the gasoline black market, whose interest lay in maintaining high prices for illicit sales, rallied to their support those who enjoyed legal rations at low prices, and this unholy alliance won at any rate a partial victory.

No Continental government is vigorous enough today to defeat the feudal powers of these vested interests. Nationalization has entrenched not a few of them, and it is now clear that a democratic government is powerless to control nationalized

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industries. In the case of private industry, government can demand regulation, and the capitalist must then reform the inner structure of his business to comply. But let government attempt to reform the inner structure of the properties that stand in its own name, and it will meet with the almost united opposition of the State employees, as is now so apparent in the case of the British nationalized railways.

Public opinion is awakening to the fact that the passing into the hands of the State of an ever larger fraction of a country's industrial capital -- in France it is said to be two-fifths of the total capital -- is by no means a profitable transaction for the new owner. A diminishing fraction of the national assets must now bear a growing burden of taxation. This makes an increase in the gross profits earned in the private sector a matter of vital necessity for an economy in which nationalization has gone to considerable lengths. What happens may be expressed as follows: "I, the State, take from you asset A, which in consequence ceases to make profits. Therefore your remaining assets must be as profitable without A as they were with A -- in fact more profitable, so that A's deficit may be covered."

But public realization of this does not suffice to change the situation. For bodies such as the State Railways constitute the most powerful of all lobbies. Indeed the historian should find in the fight waged by the railways against road transport a classical example of lobbying. It is not true that lobbying draws its inspiration from the profit-motive alone: other and more estimable feelings enter into it, such as the sense of the greatness of the service performed and of the worthiness of the people performing it -- all the emotions, in fact, that form an esprit de corps.

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"SOMETHING TO WORK FOR": Everywhere disappointment is weaning public opinion from its old fancies. Retreat from a blind alley is not, however, exhilirating, and a failure of faith in mistaken ideas leaves Western European opinion listless and skeptical. The time is, therefore, ripe to proffer it rational hopes.

To tidy up the aftermath of political orgies is, however necessary, never in itself enough. It is the part of unwisdom to put trust merely in the swing away from policies that have been proved ill-conceived, and to expect the people's mood to remain for long passive and quiescent. New propositions will in time attract them: better, therefore, get in first with such as are both attractive and sensible!

From how many young men have I heard the same challenge: "Very well, then! Communism, I know now, stands for tyranny, and Socialism, whatever its merits in the abstract, proves in practice an organized and uninspiring form of arteriosclerosis. But what have you to offer?"

Youth craves excitement and sees its destiny in dreams -- than which there is no greater source of social energy. That ordering of Society which promises to achieve great things will best draw forth this energy, offering openings to ambition and a cause that seems worthy of devotion. Herein lay the supreme success of Napoleon -- Europe has never been quite the same without him. The generation which followed him was not content with good government and fast-increasing wealth. And why should we expect the generation now rising to be content with indifferent government and a dubious prospect of maintaining even a mediocre standard of life when American subsidies are withdrawn?

* * *

ANOTHER BREAKDOWN OF DEMOCRACY? We should do well to remember the crumbling of democracy on the European continent in the years before the Second World War. Even the more optimistic democrats are very willing to discuss two cases: that of Spain and that of Germany. But what of Italy, Poland, Yugoslavia and Austria? In all these countries democratic institutions just crumbled away and authoritarianism succeeded effortlessly. Their cases should be carefully studied -- along with that

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of France whose institutions were affected by a dry rot in which is the explanation of her tragic fall in 1940.

It is the business of those countries which enjoy the great boon of freedom to offer to their citizens a fuller and more exciting life than that which the tyrant can offer to his subjects. Here lay the great contrast drawn by the writers of antiquity between free cities and despotic empires. Let us beware lest we so temper the spirit of individual liberty as to make the appeal of disciplined service seem more attractive. The mediocrity of politicians, their patent weakness in dealing with entrenched interests, the lack of openings for individuals and the lack of prospect for whole European communities -- these are all things which might render the young responsive to the clarion call of some dictator.

The danger can be felt even now. To avert it, there must be scope for the energies of youth. Now, therefore, is the time, while totalitarianism is still a frightening memory, to play the card of a New Individualism.

* * *

STAKING-OUT THE INDIVIDUAL: Take a young European today. What is the most he can aspire to? A good salaried position. And what is the shortest way to it? Politics, which furnishes him with both excitement and promotion -- a role no longer played by productive activities. Yet individual enterprise is capable of furnishing him with both. Therefore it should be encouraged. It must be encouraged, for, under present conditions, retail trade is almost the only individual enterprise left on which a poor man can embark. To this is due the fantastic increase in the number of retail traders. The resulting burden upon European production is increased distribution cost on top of insufficient industrial output.

Clearly, we must "plan for individual enterprise". I had long imagined that the vast undeveloped resources of the African continent provided a hopeful field for youthful energies, that we could find in it the equivalent of the American "West". But it appears from a careful investigation conducted by a team of brilliant young journalists working for that excellent monthly Review, Réalitiés, that $20,000 is the minimum amount of capital needed to start in Africa even the smallest individual venture. A young man today has no hope of raising such a sum. This induces the reflection whether it would not be making a wise use of a part of the Marshall funds to apply them in providing credit to individuals embarking on ventures in Africa. In fact, a fraction of the "counterpart" fund in national currencies might do the job. It cannot, surely, have been the intention of Congress that the part of the aid to Europe used for constructive purposes should go, first, to nationalized industries and, next, to large corporations.

In British Conservative circles there is much talk, all excellent, of property-owning democracy. It is clear that this involves the staking of individuals, a course which I have seen followed only in Switzerland, with excellent results.

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THE WAGE EARNER AS PARTNER: Yet, however successful we may be in stimulating individual ventures and finding scope for them, large-scale enterprise must continue to dominate our economic system; this fact sets us "the problem of the wage earners", to which earnest thought is being given in Europe today. It has been remarked before in this letter that the industrial wage earners form in Europe today a society within Society, alien, suspicious and hostile, which is both dangerous politically and sad to see. How can they be fitted in and made at home?

The political helplessness of the wage earners in France is psychologically more dangerous than their political power in England, for there this power is invoked by their leaders to breed a sense of responsibility. But, whatever the variants, it is manifestly deplorable that a considerable number of citizens should

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combine politically on a basis of economic status. No sectional interest of a geographical nature is more dangerous than this.

The phenomenon may be a result of a long misbehavior on the part of European employers. Certainly European wage earners have not derived the same benefits from the private enterprise system as the American workers. But whatever its origin, there the phenomenon is. And many if not most employers of today are concerned to break down the barrier between the wage earners and themselves. The parties of the Right: English Conservatives, French M.R.P., and so on, all have committees working on schemes of associations between Capital and Labor.

An idea which has received much impetus from the personality of its propounder is that of the so-called "proportional wage". It has been applied and popularized by a cosmetics magnate, Mr. Eugene Schueller, a successful man and a winning personality. It is a very simple idea: the mass of wages distributed by a firm moves up automatically with its volume of business. Thus the employed automatically benefit not only from an increase in their own efforts, but also from a technical advance, from labor-saving machinery, from the favorable state of the market or whatever it may be that causes the increase in the volume of business. This policy makes employees "patriots of the firm", generous with their own efforts, eager for all forms of improvement. Mr. Schueller contends that it has made his workers really enthusiastic for the introduction of labor-saving devices which formerly they feared. Venturing into economics, he claims that raising the volume of wages at the same pace as the volume of business feeds buying-power to the consumers and precludes a recession which he pictures as occurring for want of buying power. Again, in times of rising prices, the proportional wages procure results of the same nature as a sliding scale. The idea has been applied in over a thousand firms. Some critics contend that it has worked too well and distributed buying power in excess.

Another industrialist, Mr. Bernard Jousset, while agreeing to the main proposition of Mr. Schueller, that wages should form an absolute fraction of the sales volume, contends that in times of boom the share attributed to labor above its normal wage should not be distributed but stored up in a Worker's Investment Trust. This would buy stocks and shares (of other businesses) for the account of the employees, and would keep parts of its funds liquid to pour them out again in times of recession. Mr. Jousset contends that now, when deflation is setting in, his Investment Trust is distributing to his workers funds which allow them to buy durable consumer goods in a buyer's market: thus causing them to act in precise opposition to what they would have done under a straight Schueller Plan when they would have bought in a rising market and have been caught short by the recession. Contracyclical effects are claimed for Mr. Jousset's Plan, which is also presented as a means to turn the workers into capitalists: the shares bought by the Investment Trust are ultimately to be earmarked to the individual recipients.

This remarkable man was, a quarter of a century ago, a bearded leader of the French unions. He visited the States, worked at Ford's and elsewhere and returned a beardless champion of productivity and high wages. His book, Standards, made him famous. But a sensitive man, with a high sense of individual dignity, he addressed himself to the problem of creating a link between the worker and the workroom. He wanted the man to feel at home in the factory, and to have a sense of proprietorship. And this he found in the pre-war Bat'a shoe factory at Zlin, Czechoslovakia, where every workroom was a unit, run by the team which worked in it.

Dubreuil found that under these conditions the discipline of work is changed from an incomprehensible dictate from above to a democratically accepted by-rule, the product of an easily understood necessity. It is possible, Dubreuil thinks, to redistribute authority and responsibility within the firm, thanks to this system. And his influence has caused quite a few firms to adopt such measures, as he relates in his last book, characteristically called The Team and the Ball.

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